

Dashboard / My courses / (22/04) MScFE 560 Financial Markets (C22-S2) / Module 5: Stock and Equity Markets / Quiz M5

<b>Started on</b>	Sunday, 15 May 2022, 6:53 PM
<b>State</b>	Finished
<b>Completed on</b>	Sunday, 15 May 2022, 7:20 PM
<b>Time taken</b>	27 mins 10 secs
<b>Marks</b>	13.00/15.00
<b>Grade</b>	17.33 out of 20.00 (87%)

**Question 1**

Correct

Mark 1.00 out of 1.00

Private equity investors have more company data readily available to them.

Select one:

- ☐ True
- ☒ False ✓

**Question 2**

Correct

Mark 1.00 out of 1.00

Which one of the following describes a value investor?

Select one:

- ☐ They usually hold their investments for much shorter periods of time.
- ☐ They source their data for decision-making from numerous technical charts.
- ☐ They need to be very quick with their decision-making, as they are more prone to higher fluctuations in gains and losses.
- ☒ They are primarily forward-looking, as their valuations concern future cash flows and future price growth. ✓



**Question 3**

Incorrect

Mark 0.00 out of 1.00

Consider the following statement:

In technical analysis, traders identify the minimum and maximum price range of a stock or index.

What is the top-end of this range known as?

Select one:

- ☐ Draw-down
- ☐ Mean
- ☒ Support
- ☐ Resistance

✗

**Question 4**

Correct

Mark 1.00 out of 1.00

"Don't put all your eggs in one basket" is most appropriately aligned to which risk management technique?

Select one:

- ☐ Protective put options
- ☐ Future contracts
- ☐ Short-selling
- ☒ Diversification

✓

**Question 5**

Correct

Mark 1.00 out of 1.00

What are investment banks?

Select one:

- ☐ Entities who manage pooled investor funds on behalf of others.
- ☒ Investment banks are the intermediaries of the financial world.
- ☐ Investment banks are conduits that connect global equity markets to each other.
- ☐ Investment banks operate exclusively within equity markets.

✓

**Question 6**

Correct

Mark 1.00 out of 1.00

Which kind of grouping is a stock index that represents only retailer stock companies?

Select one:

- ☒ Industry
- ☐ Size
- ☐ Regional
- ☐ Geographic

✓

↑

## Question 7

Correct

Mark 1.00 out of 1.00

You want to invest in a stock that pays \$5.00 annual cash dividends for the next four years. At the end of the four years, you will sell the stock for \$20.00. If you want to earn 12% on this investment, what is a fair price for this stock if you buy it today?

Select one:

- ☐ \$40.00
- ☐ \$43.90
- ☐ \$25.42
- ☒ \$27.90



## Question 8

Correct

Mark 1.00 out of 1.00

What is the beta of a stock that has moved 17% more than its benchmark stock?

Select one:

- ☐ 117
- ☐ 0.83
- ☒ 1.17
- ☐ 83



## Question 9

Correct

Mark 1.00 out of 1.00

What is the primary benefit of early stage equity funding?

Select one:

- ☒ The business isn't locked into debt repayments early on.
- ☐ Equity capital is always cheaper than debt funding.
- ☐ Only small monthly repayments are required for large capital outlay.
- ☐ Interest repayments are low.



## Question 10

Incorrect

Mark 0.00 out of 1.00

Consider the following statement:

A share you bought 200 days ago is trading lower than its 200-day moving average.

Given the above information, if you sell the share at this point, how will it affect you?

Select one:

- ☐ You will break even.
- ☐ It is impossible to tell from the provided information.
- ☐ You will make a profit.
- ☒ You will incur a loss.



## Question 11

Correct

Mark 1.00 out of 1.00

The initial public offering of shares occurs in which market?

Select one:

- ☐ The tertiary market
- ☒ The primary market
- ☐ The futures market
- ☐ The secondary market



## Question 12

Correct

Mark 1.00 out of 1.00

Consider the following statement:

Market optimism has been low ever since the 23% crash in the equity market over the last week. Analysts expect the overall market to remain depressed well into the next quarter.

Given the above information, what market state is the scenario characterized by?

Select one:

- ☐ Bull market
- ☐ Hawkish
- ☐ Volatile
- ☒ Bear market



## Question 13

Correct

Mark 1.00 out of 1.00

Taking a phased approach whereby an investor enters the market gradually over a period of time is aligned to which concept?

Select one:

- ☒ Dollar-cost averaging
- ☐ Diversification
- ☐ Portfolio management
- ☐ Hedging



## Question 14

Correct

Mark 1.00 out of 1.00

What is the cost of equity from an issuing entity's perspective?

Select one:

- ☒ The rate of return the equity holders require.
- ☐ The interest repayments on that share.
- ☐ Equal to the cost of debt where the equity/debt mix is 50/50.
- ☐ The risk you assume for taking on the share.



## Question 15

Correct

Mark 1.00 out of 1.00

Use the dividend growth model to determine the required rate of return for equity. Your firm has just paid a dividend of \$1.50 per share, has a recent price of \$31.82 per share, and anticipates a growth rate in dividends of 4.00% per year for the foreseeable future.

Select one:

- ☐ 8.71%
- ☐ There is not enough information to answer this question
- ☒ 8.90%
- ☐ 9.09%



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